

Improving Long-Term Care in America

Affordable Assisted Living: Meeting Consumer Needs and Preferences – Lowering Costs to Medicaid



America's Older Population¹

- 12.4% of America's population is 65 and older.
- This number is expected to grow to 16.3% by 2020.
- 21.7% of those living in the nation's rural areas are 65 and older. However, in five states—Maine, Mississippi, North Dakota, South Dakota, and Vermont—more than 50 percent of rural residents are 65 and older.
- 34.6% of those 65 and older live at or below 200% of poverty.

Medicaid, Nursing Homes, and Assisted Living

Nationally, a significant number of Medicaid funded, nursing home residents do not require the level of care they receive in an institutional setting, but they lack residential alternatives. While nursing homes provide a much-needed service for residents requiring continuous skilled nursing care, residents who need 24-hour assistance but do not need round-the-clock skilled nursing often prefer assisted living settings if they are available and affordable. In assisted living, residents receive the health and personal care services they need in an apartment setting through a service program designed to maximize their privacy and independence. Assisted living's focus on maintaining residents' independence and tailoring services to meet each resident's needs, creates operational efficiencies, lower rates, and, for appropriate nursing home eligible Medicaid recipients, significant savings to federal and state Medicaid budgets. The elderly, people with disabilities, and taxpayers would benefit from the development of affordable assisted living throughout the country.

- Medicaid is the primary payer for 67% of nursing home residents in the United States.²
- The national average Medicaid nursing home payment is \$97 a day or \$2,942 per month.
- By comparison, states that have been working with NCB Development Corporation to develop *affordable* assisted living as an alternative to nursing home care, are paying an average of 62%³ less in state and federal Medicaid dollars to care for nursing home eligible Medicaid residents who are appropriate for, and prefer, assisted living.⁴ For example, in Florida,⁵ the average Medicaid cost for a nursing home resident is \$3,496 a month. However, the average Medicaid cost for a nursing home eligible person in affordable assisted living is \$947 a month, a savings of 73% in state and federal Medicaid dollars. In Iowa,⁶ the average Medicaid nursing home payment is \$2,275 a month and the average Medicaid payment for a nursing home eligible person in affordable assisted living is \$850 a month, a Medicaid savings of 63%.

Need and Challenges for Affordable Assisted Living

A lack of high quality, affordable assisted living facilities forces many Americans requiring long-term care to forgo

¹ Across the States 2002: Profiles of Long-Term Care, AARP, 2002.

² Ibid at 2.

³ Derived from NCB Development Corporation 2003 data for AK, AR, FL, IA, ME, MA, WA.

⁴ People who are eligible for Medicaid funded services in a nursing home and appropriate for assisted living are typically older people who need 24-hour care and oversight but do not need the continuous skilled nursing care available in nursing homes.

⁵ Ibid at 3.

⁶ Ibid at 3.

needed services, move away from their communities to obtain services, rely on family members who struggle to meet their needs, or enter a nursing home unnecessarily. In order to meet the needs of America's burgeoning senior population, it is crucial to create more affordable, less restrictive alternatives to nursing home care.

- Nationally, the average annual cost of assisted living is \$28,548 a year, according to a survey produced for the MetLife Mature Market Institute.⁷ ***Yet 47% of Americans 65 and older have annual incomes less than \$25,000.***⁸

Challenges to developing and operating affordable assisted living include:

- **The complexity of affordable assisted living development is more than many not-for-profit and community organizations can manage.** Developing assisted living that can serve persons with low or very low-incomes requires cooperation from multiple government agencies, an intimate understanding of complex funding and regulatory programs, and the capacity to assemble capital piece-by-piece. Very few people understand the complex layering of real estate development and the services subsidies that is necessary to create and operate affordable assisted living.
- **Resistance from related industries.** Both the nursing homes industry and the residential care facility industry are wary of competition from assisted living and have exercised their considerable political clout to resist the emergence of assisted living as an alternative.
- **Lack of a centralized neutral resource.** State governments and developers need access to research, information and technical assistance to help them address long-term care issues, develop and implement affordable assisted living policy, and facilitate the development and operations of high quality, affordable assisted living.
- **Low Income Housing Tax Credits (LIHTCs) and Other Affordable Housing Programs.** The limited availability of LIHTCs and other public subsidies for affordable housing prevent development of sufficient affordable assisted living. Many of the affordable housing program rules, especially LIHTC rules, make the programs hard to use for affordable assisted living.
- **Institutional bias.** At the federal and state level, Medicaid continues to have an institutional bias. Limiting the Medicaid entitlement to nursing homes, together with certain state Medicaid practices that favor nursing home admission over community-based care, make it difficult to develop residential alternatives that serve Medicaid recipients. As long as it is quicker and easier for a Medicaid eligible person to gain access to nursing home care, community organizations and their financiers will be reluctant to develop residential alternatives, including assisted living, that cannot compete equally in the Medicaid market place.
- **High cost of liability insurance.** The rapidly escalating cost of liability insurance is making it difficult if not impossible for existing affordable assisted living providers to retain Medicaid eligible residents. The high cost of insurance is also making potential sponsors wary of developing and operating affordable assisted living.
- **State fiscal crises.** As a result of the current budget situation, most states are unable to fund new initiatives or expand current programs – including those that would fund affordable assisted living and potentially save the state money.
- **Social Security Income (SSI) benefit levels are low.** Relying on the federal SSI benefit, recipients can't even afford rent and meals in moderately priced assisted living facilities.
- **Restrictions on Food Stamp eligibility for assisted living residents.** Requiring assisted living residents to meet the Social Security definition of blind or disabled in order to qualify for food stamps, along with the prohibition against using food stamps in an institution makes it difficult to use this resource. (Note that assisted living over 16 units qualifies as an institution per the food stamp rules.)
- **Conflicts between housing and health service program requirements.** A wide variety of incompatible program requirements – from eligibility requirements to timeframes and more – make it difficult for assisted living providers to use the necessary state and federal housing and health service funding resources together.

⁷ MetLife Assisted Living Market Survey 2003.

⁸ Census 2000.